

# **SANTA BARBARA REDEVELOPMENT AGENCY**

## **ASSET TRANSFER REVIEW**

### Review Report

*January 1, 2011, through January 31, 2012*



**JOHN CHIANG**  
California State Controller

August 2014



**JOHN CHIANG**  
**California State Controller**

August 15, 2014

Brian J. Bosse, Waterfront Business Manager  
City of Santa Barbara/Successor Agency  
132 Harbor Way A  
Santa Barbara, CA 93109

Dear Mr. Bosse:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Santa Barbara Redevelopment Agency (RDA) to the City of Santa Barbara (City) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether the asset should be turned over to the Successor Agency.

Our review applied to all assets including but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City or any other public agency have been reversed.

Our review found that the RDA transferred \$192,157,802 in assets after January 1, 2011, including unallowable transfers totaling \$153,763,103, or 80.02% of transferred assets. The unallowable transfers included \$100,109,350 to the City and \$53,653,753 to the Entity Assuming the Housing Functions.

However, on March 28, 2012, and November 7, 2012, the City turned over \$100,109,350 in assets to the Successor Agency. In addition, on March 28, 2012, the Entity Assuming the Housing Functions returned \$53,653,753 in transfers. Therefore, no further action is necessary.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/sk

cc: Robert Samerio, Finance Director  
City of Santa Barbara  
Robert Geis, Auditor-Controller  
County of Santa Barbara  
David Botelho, Program Budget Manager  
California Department of Finance  
Richard J. Chivaro, Chief Legal Counsel  
State Controller's Office  
Elizabeth González, Bureau Chief  
Division of Audits, State Controller's Office  
Betty Moya, Audit Manager  
Division of Audits, State Controller's Office  
Michael Mock, Auditor-in-Charge  
Division of Audits, State Controller's Office

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# Asset Transfer Review Report

## Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Santa Barbara Redevelopment Agency (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred \$192,157,802 in assets after January 1, 2011, including unallowable transfers totaling \$153,763,103, or 80.02% of transferred assets. The unallowable transfers included \$100,109,350 to the City of Santa Barbara (City) and \$53,653,753 to the Entity Assuming the Housing Functions.

However, on March 28, 2012, and November 7, 2012, the City turned over \$100,109,350 in assets to the Successor Agency. In addition, on March 28, 2012, the Entity Assuming the Housing Functions returned \$53,653,753 in transfers. Therefore, no further action is necessary.

## Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA successor agencies and oversight boards to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety (H&S) Code beginning with section 34161.

H&S Code section 34167.5 states in part, ". . . the Controller shall review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency."

The SCO identified asset transfers that occurred after January 1, 2011, between the RDA, the City and/or any other public agency. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal action to ensure compliance with this order.

## **Objective, Scope, and Methodology**

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency's operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the RDA, the Successor Agency, and the Oversight Board.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

## **Conclusion**

Our review found that the Santa Barbara Redevelopment Agency transferred \$192,157,802 in assets after January 1, 2011, including unallowable transfers totaling \$153,763,103, or 80.02% of transferred assets. The unallowable transfers included \$100,109,350 to the City of Santa Barbara (City) and \$53,653,753 to the Entity Assuming the Housing Functions.

However, on March 28, 2012, the City turned over \$100,109,350 in assets to the Successor Agency. In addition, on March 28, 2012, the Entity Assuming the Housing Functions returned \$53,653,753 in transfers. Therefore, no further action is necessary.

Details of our findings are described in the Findings and Orders of the Controller section of this report.

## **Views of Responsible Official**

We issued a draft review report on September 27, 2013. Robert Samario, Finance Director, responded by email on December 16, 2013, agreeing with the review results. The City did not provide any additional responses.

**Restricted Use**

This report is solely for the information and use of the City of Santa Barbara, the Successor Agency, the Oversight Board, the Entity Assuming the Housing Functions, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

August 15, 2014

# Findings and Orders of the Controller

## **FINDING 1— Unallowable asset transfers to the City of Santa Barbara**

The Santa Barbara Redevelopment Agency (RDA) made unallowable asset transfers of \$100,109,350 to the City of Santa Barbara (City). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

Unallowable asset transfers were as follows:

- On June 8, 2011, the RDA transferred the RDA Operating Fund to the City in the amount of \$4,557,356.
- On June 8, 2011, the RDA transferred all of the fixed assets to the City in the amount of \$95,551,994.

On March 28, 2012, and November 7, 2012, the City reversed the transfers in the amounts of \$4,557,356 and \$95,551,994 and turned the assets over to the Successor Agency.

Pursuant to Health and Safety (H&S) Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. The assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

### Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfer of the above assets in the amount of \$100,109,350 and turn the assets over to the Successor Agency. However, on various dates the City reversed the transfer totaling \$100,109,350 and turned the assets over to the Successor Agency. Therefore, no further action is necessary.

### City's Response

As no corrective action is required by the City, the City responded via email that the final report could be issued without a management response.

### SCO Comments

The Finding and Order of the Controller remain as stated.



**FINDING 2—  
Unallowable asset  
transfers to the  
Entity Assuming  
the Housing  
Functions**

The RDA made unallowable asset transfers of \$53,653,753 to the Entity Assuming the Housing Functions. The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

On June 8, 2011, the RDA transferred a total of \$53,653,753 in housing assets to the Entity Assuming the Housing Functions. Pursuant to H&S Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. The assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

Order of the Controller

Based on H&S Code section 34167.5, the Entity Assuming the Housing Functions is ordered to reverse the transfer of the above assets in the amount of \$53,653,753. However, on March 28, 2012, the \$53,653,753 in assets were returned to the Successor Agency. Therefore, no further action is necessary.

City's Response

As no corrective action is required by the City, the City responded via email that the final report could be issued without a management response.

SCO Comments

The Finding and Order of the Controller remain as stated.

**Schedule 1—  
Unallowable RDA Asset Transfers to  
the City of Santa Barbara  
January 1, 2011, through January 31, 2012**

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Unallowable asset transfers to the City of Santa Barbara:

Transfers to the City of Santa Barbara:

RDA Operating Fund (June 8, 2011)	\$ 4,557,356
RDA fixed assets (June 8, 2011)	<u>95,551,994</u>

Total unallowable asset transfers to the City of Santa Barbara	<u>100,109,350</u>
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Corrective actions:

Reversal of RDA Operating Fund transfers (March, 28, 2012)	(4,557,356)
Reversal of RDA fixed assets (November 7, 2012)	<u>(95,551,994)</u>

Total asset transfers subject to Health and Safety Code section 34167.5	<u>\$ —</u>
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**Schedule 2—  
Unallowable RDA Asset Transfers to  
the Entity Assuming the Housing Functions  
January 1, 2011, through January 31, 2012**

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Transfers to the Entity Assuming the Housing Functions:	
Housing Fund assets (June 8, 2011)	<u>53,653,753</u>
Total unallowable asset transfers to the Entity Assuming the Housing Functions	53,653,753
Corrective actions:	
Reversal of Housing Fund transfers (March 28, 2012)	<u>(53,653,753)</u>
Total asset transfers subject to Health and Safety Code section 34167.5	<u><u>\$ —</u></u>

**Attachment—  
City's Response to  
Draft Review Report**

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**Mock, Michael**

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**From:** Samario, Robert <BSamario@SantaBarbaraCA.gov>  
**Sent:** Tuesday, December 17, 2013 1:21 PM  
**To:** Mock, Michael  
**Subject:** RE: Final Report

Great – thanks.

**Robert Samario**

**Finance Director  
City of Santa Barbara  
(805) 564-5336**

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**From:** MMock@sco.ca.gov [mailto:MMock@sco.ca.gov]  
**Sent:** Tuesday, December 17, 2013 1:17 PM  
**To:** Samario, Robert  
**Subject:** RE: Final Report

We will issue the report final since there is doesn't not appear to be any objections or issues.

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**From:** Samario, Robert [mailto:BSamario@SantaBarbaraCA.gov]  
**Sent:** Tuesday, December 17, 2013 11:27 AM  
**To:** Mock, Michael  
**Subject:** RE: Final Report

Okay, thanks. At this point, then, I'm assuming you'll just issue the final report, right?

Thanks

Bob

**Robert Samario**

**Finance Director  
City of Santa Barbara  
(805) 564-5336**

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**From:** MMock@sco.ca.gov [mailto:MMock@sco.ca.gov]  
**Sent:** Monday, December 16, 2013 9:25 AM  
**To:** Samario, Robert  
**Subject:** RE: Final Report

Hello Bob,

I don't believe we received any comments from your staff. I don't think there necessarily needs to be any. I've gone through all my files and I didn't see anything.

Michael Mock, CPA

Staff Management Auditor (Specialist)  
State Controller's Office  
Division of Audits – Local Government  
Phone: (916) 322-5175 / [mmock@sco.ca.gov](mailto:mmock@sco.ca.gov)

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**From:** Samario, Robert [<mailto:BSamario@SantaBarbaraCA.gov>]  
**Sent:** Friday, December 13, 2013 4:38 PM  
**To:** Mock, Michael  
**Cc:** Moya, Betty; Bosse, Brian  
**Subject:** RE: Final Report

Hi Michael,

We're fine with you issuing the report with our comments.

Thanks,

Bob

**Robert Samario**

**Finance Director  
City of Santa Barbara  
(805) 564-5336**

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**From:** [MMock@sco.ca.gov](mailto:MMock@sco.ca.gov) [<mailto:MMock@sco.ca.gov>]  
**Sent:** Friday, December 13, 2013 1:19 PM  
**To:** Bosse, Brian; Samario, Robert  
**Cc:** [bmoya@sco.ca.gov](mailto:bmoya@sco.ca.gov)  
**Subject:** Final Report

Dear Brian and Robert,

We issued the Draft Report to you on 09/27/13 and did not receive a response from you. The report had findings but noted that corrective actions were made and that there wasn't any need for corrective actions. Basically as clean as it was going to get. We were looking for a management response within 10 business days, but if we didn't get any.

If the City doesn't plan on having a management responses we will issue the report final. Please a management response by December 20, or we will issue the report final.

**Michael Mock, CPA**

Staff Management Auditor (Specialist)  
State Controller's Office  
Division of Audits – Local Government  
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